

The 2013/14 audit of the Scottish Police Authority



Prepared for the Public Audit Committee by the Auditor General for Scotland
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Introduction

1. The Scottish Police Authority (SPA) and the Police Service of Scotland (Police Scotland) began operating on 1 April 2013. In November 2013, I published a report on the progress made by Scottish Police Authority and Police Scotland in establishing a national policing service and ensuring that it was financially sustainable in the longer term.¹
2. This report:
 - draws the Parliament's attention to the auditor's opinion on the SPA's accounts for 2013/14; and
 - provides an update on progress against the recommendations made in my report of November 2013. In particular, it focuses on progress in developing a long-term financial strategy.

Context

3. 2013/14 was the first operational year for the SPA and Police Scotland. Bringing together the finance systems of the eight predecessor forces and the Scottish Police Services Authority (including the Scottish Crime and Drug Enforcement Agency) at a time when numerous finance staff left under the SPA's Voluntary Redundancy/Early Retirement scheme was a considerable challenge. In addition, there was protracted discussion about whether responsibility for corporate services (including finance) should lie with the SPA or Police Scotland. This was ultimately resolved in August 2013 some four months after the establishment of the two organisations. As a result during 2013/14:
 - There was no permanent director of finance in the SPA in post during 2013/14. The accounts identify three individuals as interim directors of finance.² The SPA was finally able to make a permanent appointment to the post of director of financial accountability in May 2014.
 - The structures of the two finance departments were developed after August 2013. This left finance staff, in both the SPA and Police Scotland, uncertain of their future permanent roles and responsibilities.

The auditor's opinion on the Scottish Police Authority's 2013/14 accounts

4. The SPA's 2013/14 accounts are unqualified. The auditor expressed a modified conclusion on those matters on which she is required to report by exception noting that:

“Without qualifying my opinion on the financial statements I have the following to report in respect of these matters. At a time of transition involving the merger of nine different financial systems and a reducing finance team, aspects of the accounting records and access to information and explanations in the areas of property, plant and equipment, bank and cash,

¹ *Police reform: progress update 2013*. Audit Scotland. November 2013.

² *Annual report and accounts for the SPA for the year to 31 March 2014*.

and for the computation of certain accruals were of poor quality. In my opinion therefore, adequate accounting records have not been kept in respect of these areas for the 2013/14 financial year”.

Progress against recommendations made in *Police Reform: progress update 2013*

5. My November 2013 report made eight recommendations that related to the SPA and Police Scotland. As part of the 2013/14 audit, the auditor assessed progress against these recommendations. The SPA has made progress or completed the majority of the recommendations (Exhibit 1).

Exhibit 1

Progress against recommendations made in *Police Reform: progress update 2013*

Recommendation	Progress
1	The Scottish Government, SPA and Police Scotland should continue to work together to develop positive and effective working relationships, based on mutual understanding of and respect for each other's roles, including agreement on the responsibilities relating to sponsorship, governance and delivery of police services
2	The Scottish Government, SPA and Police Scotland should continue to work together to agree how police performance will be reported to support effective scrutiny
3	The Scottish Government, SPA and Police Scotland should continue to work together to agree and implement arrangements for monitoring and reporting progress on the benefits of reform by the end of March 2014 and take collective responsibility for delivering these
4	The SPA board should clearly set out the information it requires from the SPA and Police Scotland in order to provide effective scrutiny, challenge and support.
5	The Scottish Government and the SPA should continue to work together to ensure that all of the agreed proposals on the SPA's organisational requirements are fully implemented by the end of March 2014, including the appointment of permanent senior staff.

Recommendation		Progress
6	The SPA and Police Scotland should continue to work together to identify accurate baseline data for non-operational areas such as finance, HR and procurement.	In progress (For post merger period)
7	The SPA and Police Scotland should continue to work together to agree a financial strategy by the end of March 2014, informed by evidence-based options for achieving savings, and take joint responsibility for its delivery.	Complete (For the period to 2015/16) In progress (For the period to 2025/26)
8	The SPA and Police Scotland should continue to work together to agree long-term strategies in the main areas that will contribute to savings including estates, workforce, procurement and ICT.	In progress

6. With regard to recommendation 6, the SPA and Police Scotland are developing baseline performance and financial data to assess non-operational functions. This data will be available from 2013/14. The SPA has concluded that meaningful, comparative data is not available for the period before the formation of a national policing service. Therefore it will not be possible to assess the relative performance of all aspects of these functions before and after the merger.
7. With regard to recommendation 7, at the SPA meeting in March 2014, the board agreed a financial strategy for the two year period to 2015/16. Based on extrapolation of the savings secured during 2012/13 and 2013/14, the SPA and Police Scotland are confident that the £1.1 billion savings identified in the Outline Business Case that accompanied the Police and Fire Reform (Scotland) Act 2012 will be made by 2025/26. The Outline Business Case did not incorporate additional cost pressures that will require the SPA and Police Scotland to make further savings over and above the £1.1 billion. These additional cost pressures include inflation, pay awards and VAT liability.
8. With regard to recommendation 8, the SPA published a long-term corporate strategy in March 2014. This is supported by four strategic delivery plans. The SPA and Police Scotland are currently quantifying the additional cost pressures noted in paragraph 7 and are developing a longer term financial strategy to take account of them beyond 2015/16. This will include five significant strategies: workforce, procurement, ICT, fleet and estates. These strategies are currently at various stages of development:
 - A workforce reduction strategy has been in place and implemented from April 2013.
 - The Finance and Investment Committee approved the Procurement Strategy in October 2014. The SPA plans to identify procurement savings during the final quarter of 2014/15.

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- The ICT and fleet strategies continue to be developed.
 - The SPA agreed a timeline for the development of the Estates Strategy in August 2014. This will be completed in spring 2015.

These important pieces of work require thorough consideration, consultation and scrutiny. Once finalised, they should help ensure that there is a financially sustainable plan for policing in Scotland for the next decade.

Conclusion

9. 2013/14 was a challenging first year for the SPA and Police Scotland. While finance staff worked hard to try and ensure that the suppliers were paid in a timely manner, finance ledgers were maintained and management accounts were produced, the auditor concluded that aspects of certain accounting records were not adequate and difficulties were encountered in conducting the audit. This is an unusual conclusion from an auditor and reflects the need for SPA and Police Scotland to make significant progress in improving their accounting records.
10. The uncertainty over the future of the two finance functions during 2013/14 and the resultant impact on the permanent recruitment of senior finance staff delayed the development of a long-term financial strategy for the decade to 2025/26.
11. I have asked the auditor, as part of the 2014/15 audit to:
 - assess progress in improving accounting records in SPA and Police Scotland; and
 - monitor the development of a long-term financial strategy for the SPA and Police Scotland.